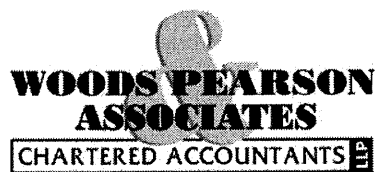


FOREST COMMUNITY FOUNDATION

Financial Statements

Year Ended December 31, 2011



FOREST COMMUNITY FOUNDATION
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Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of Forest Community Foundation

We have audited the accompanying financial statements of Forest Community Foundation, which comprise the statement of financial position as at December 31, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

Independent Auditor's Report to the Members of Forest Community Foundation *(continued)*

Basis for Qualified Opinion

In common with many charitable organizations, the foundation derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Forest Community Foundation as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Strathroy, Ontario
May 15, 2012

Woods Pearson & Associates
CHARTERED ACCOUNTANTS LLP
Licensed Public Accountants

FOREST COMMUNITY FOUNDATION
Statement of Financial Position
December 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	\$ 82,126	\$ 95,412
Accounts receivable	6,704	6,174
	88,830	101,586
RESTRICTED CASH AND INVESTMENT <i>(Note 3)</i>	7,391	-
LONG TERM INVESTMENTS <i>(Note 4)</i>	1,305,046	1,329,317
	\$ 1,401,267	\$ 1,430,903
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,500	\$ 3,499
Deferred income	7,391	-
	10,891	3,499
NET ASSETS		
Internally restricted <i>(Note 5)</i>	1,390,376	1,427,404
	\$ 1,401,267	\$ 1,430,903

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

FOREST COMMUNITY FOUNDATION
Statement of Changes in Net Assets
Year Ended December 31, 2011

	2011	2010
NET ASSETS - BEGINNING OF YEAR	\$ 1,427,404	\$ 1,378,782
Excess of revenues over expenses	<u>(37,028)</u>	<u>48,622</u>
NET ASSETS - END OF YEAR	<u>\$ 1,390,376</u>	<u>\$ 1,427,404</u>

FOREST COMMUNITY FOUNDATION
Statement of Revenues and Expenditures
Year Ended December 31, 2011

	2011	2010
REVENUE		
Capital gains (losses), net	\$ 18,455	\$ 14,788
Contributions - Flow Through Shares <i>(Note 6)</i>	6,041	10,982
Contributions - Foundation	-	1,000
Contributions - Restricted <i>(Note 8)</i>	15,335	-
Dividend Income	17,498	16,496
Interest and other income	35,754	33,808
Membership fees	100	100
Refunded donations <i>(Note 7)</i>	897	3,552
	94,080	80,726
EXPENSES		
Administration expenses	2,000	2,000
Advertising and promotion	468	210
Donations - Flow through shares <i>(Note 6)</i>	6,041	10,982
Donations - Foundation <i>(Note 7)</i>	49,654	69,418
Donations - Restricted <i>(Note 8)</i>	15,335	-
Insurance	2,605	2,658
Interest and bank charges	54	94
Management fees	9,319	8,913
Memberships	350	350
Other expenses <i>(Note 9)</i>	-	3,236
Professional fees	4,382	4,310
	90,208	102,171
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	3,872	(21,445)
OTHER INCOME		
Change in unrealized gain (loss) on investments	(40,900)	70,067
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (37,028)	\$ 48,622

FOREST COMMUNITY FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (37,028)	\$ 48,622
Items not affecting cash:		
Change in unrealized gain (loss) on investments	40,900	(70,067)
Contributions - Flow Through Shares	(6,041)	(10,982)
Capital gains (losses), net	(18,455)	(14,788)
	(20,624)	(47,215)
Changes in non-cash working capital:		
Accounts receivable	(530)	464
Accounts payable and accrued liabilities	-	980
Deferred income	7,391	-
Restricted cash and investment	(7,391)	-
	(530)	1,444
Cash flow used by operating activities	(21,154)	(45,771)
INVESTING ACTIVITIES		
Proceeds on sale of investments	150,987	271,304
Purchase of investments	(143,119)	(154,019)
Cash flow from investing activities	7,868	117,285
INCREASE (DECREASE) IN CASH FLOW	(13,286)	71,514
Cash - beginning of year	95,412	23,898
CASH - END OF YEAR	\$ 82,126	\$ 95,412
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	\$ 55	\$ 95
CASH CONSISTS OF:		
Cash	\$ 82,126	\$ 95,412

FOREST COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2011

1. Nature of operations

The Forest Community Foundation ("the Foundation") was incorporated as a not-for-profit corporation without share capital under the Ontario Corporations Act on May 16, 2000 and is a registered charity under the Income Tax Act (IA) as a Public Foundation. The Foundation acts as a community resource to make grants to applicants who are Qualified Donees pursuant to s.139.1(1) of the ITA. The purpose of the Foundation is to benefit the residents of the former municipality of Forest and its immediate environs by carrying out charitable activities primarily in the geographical area from which the funds were raised.

2. Summary of significant accounting policies

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection can be reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized.

Financial instruments

The Foundation's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted below, it is management's opinion that the Foundation is not exposed to significant interest, currency, credit, market, liquidity or other risks arising from these financial instruments and the carrying amount of the financial instruments approximate their fair value.

Cash, accounts receivable, accounts payable and accrued liabilities are reported at their fair values on the Statement of Financial Position which are the same as the carrying values due to their short-term nature.

Fair value of investments is provided by the Foundation's professional investment counsellor and is based on published price quotations in active markets. Transaction costs related to investments are expensed as incurred. The Foundation accounts for its investments on a settlement date basis.

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Held for Trading

The Foundation has classified financial assets that are purchased and incurred with the intention of generating profits in the near term or are to be held until maturity as held for trading. These instruments are accounted for at fair value with the change in the fair value recognized in net revenue (expenses) during the period. Cash and investments are classified as held for trading.

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FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2011

2. Summary of significant accounting policies *(continued)*

Loans and receivables

These financial instruments are accounted for at amortized cost using the effective interest method, net of any impairment. Due to the short term nature of these balances, the effective interest method results in no significant differences from book value. Accrued interest receivable is classified as loans and receivables.

Other Liabilities

Other liabilities are accounted for at amortized cost.

Other

There are no financial assets on the statement of financial position designated as either available for sale or held to maturity.

Risks arising from Financial Instruments

Interest Rate Risk

The Foundation is subject to interest rate risk with respect to investments. The Foundation utilizes a professional investment counsellor to manage its portfolio based on its cash flow needs and with a view to optimising its investment income.

Market risk

The Foundation is subject to market risk with respect to its investments. The value of these investments will fluctuate as a result of changes in market prices or other factors. A variety of investment types, market locations and industry sectors has been chosen in order to manage market risk.

Currency risk

The Foundation is subject to currency risk with respect to investments held in foreign currency. The value of these investments will fluctuate as a result of changes in currency exchange rates.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Accounting Standards for Not-For-Profit Organizations

Accounting Standards for Not-For-Profit Organizations become effective for the fiscal year of the Foundation commencing January 1, 2012. Management has determined that the adoption of these standards will have minimal impact on the Foundation.

FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2011

3. Restricted cash and investment

At year end, the Foundation held cash and shares received for specified donees.

	2011	2010
Cash	\$ 7,000	\$ -
Common shares, at market value	391	-
	\$ 7,391	\$ -

4. Investments

	2011	2010
Fixed Income Securities	\$ 781,202	\$ 776,097
Common Stock & Equivalents	387,631	410,916
Mutual Funds	136,213	142,304
	\$ 1,305,046	\$ 1,329,317

Investments are classified as held for trading and are managed by a professional investment counsellor selected to provide diversity of investment philosophy and style. The investment goal is to ensure that funds are maintained and grown while optimising returns consistent with prudent investment.

5. Internally restricted net assets

The Foundation internally restricts amounts from unrestricted contributions for the benefit of the residents of the former municipality of Forest and the geographical area from which the funds were raised.

6. Donations - Flow Through Shares

During the year, the Foundation received donations of corporate shares totaling \$6,041, (2010 - \$10,982). In order to comply with the donor's intention, these shares were converted into cash and paid to the organizations specified by the donor.

FOREST COMMUNITY FOUNDATION
Notes to Financial Statements
Year Ended December 31, 2011

7. Donations

During the year donations were made to the following organizations.

	<u>2011</u>
Canada Day Committee	\$ 4,000
Forest Garden Club	2,254
Forest Optimist Club	6,300
Junior Achievement of South Western Ontario	1,100
Kinnwood Central School	3,000
Kiwanis Club	25,000
Lambton County Developmental Services	6,000
North Lambton Secondary School	<u>2,000</u>
	<u>\$ 49,654</u>

During the year, unused grants from the previous years totalling \$897, (2010 - \$3,552) were refunded to the Foundation and are shown as Refunded donations revenue on the statement of operations.

8. Donations - Restricted

During the year, the Foundation received restricted donations totalling \$15,335 which were paid to the organizations specified by the donors.

9. Other expenses

The original funding for the Foundation came from proceeds from the sale of the Forest Public Utilities Commission. In 2010 the Foundation reimbursed \$3,236 to the Municipality of Lambton Shores to cover final costs incurred during that year relating to the sale.

10. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.